

November 14, 2006

The Health Benefits Committee met on Tuesday, November 14, 2006, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:30 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
James Zerio representing Philip Angelides
Marjorie Berte
Rob Feckner
Debbie Endsley representing David Gilb
Tony Oliveira
Charles Valdes
Cindy Aronberg representing Steve Westly

Other Board members present:

Robert Carlson Mike Quevedo, Jr. Kurato Shimada Maeley Tom

AGENDA ITEM 2 – APPROVAL OF THE OCTOBER 17, 2006, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The October 17, 2006, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 3 – UPDATE ON PARTNERSHIP FOR CHANGE

As an information item, Loren Suter, Senior Strategic Advisor, Executive Office, provided an update on two parts of the Partnership for Change--the Hospital Value Initiative and the California Hospital Assessment and Reporting Taskforce (CHART). This is the fifth progress report on the Partnership for Change.

AGENDA ITEM 4 – HMO CONVERSION: SAN LUIS OBISPO COUNTY

Richard Krolak, Chief, Office of Health Plan Administration, introduced Paul Markovich, Senior Vice President, Large Group Business Unit, Blue Shield of California, who provided information regarding the conversion of San Luis Obispo County from a direct contract HMO to a capitated model. Blue Shield anticipates the capitated model will be in place in January 2007. This was an information item.

AGENDA ITEM 5 - PROPOSED HMO EXPANSION: HUMBOLDT COUNTY

Richard Krolak, Chief, Office of Health Plan Administration, introduced Paul Markovich, Senior Vice President, Large Group Business Unit, Blue Shield of California, who proposed that the Board approve expanding the current Blue Shield HMO service area to include Humboldt County with a targeted effective date of March 1, 2007.

On **MOTION** by Pryia Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to approve the proposed HMO expansion into Humboldt County by 1) expanding the current Blue Shield HMO Service area to include Humboldt County (with a targeted effective date of March 1, 2007); 2) providing a special enrollment for Humboldt County members during the first quarter of 2007; and 3) removing Humboldt County zip codes from the list of zip codes eligible for the Department of Personnel Administration's Rural Health Care Equity Program (concurrent with the effective date of the Humboldt County expansion). Note: Approval of these actions is subject to Blue Shield of California: 1) completing negotiations with Humboldt Del Norte Individual Practice Association, including completion of delegation and finance audits; 2) securing separate contracts with St. Joseph and Redwood Memorial Center hospitals; and, 3) obtaining final approval by the Department of Managed Health Care for the modifications to the Blue Shield network.

The following people spoke on this item:
Ray Snodgrass, CDF Firefighters
Milt Dobkin, California Faculty Association and CSU
Mike Richard, CSEA Retirees
Donny Caroll, CSEA Retiree Unit, School Employees

AGENDA ITEM 6 – STATUS OF CONTRACTING AGENCY ENROLLMENT AND MARKETING EFFORTS

As an information item, Holly Fong, Chief, Office of Employer and Member Health Services, provided an update on public agency participation and termination in the Public Employees' Medical and Hospital Care Act (PEMHCA) as well as 2006 and future marketing efforts to current and future public agencies.

AGENDA ITEM 7 – MEDICARE PART D OPTIONS FOR 2008

As an action item, Sandra Felderstein, Chief, Office of Health Policy and Program Support, presented an overview of the Attorney General's opinion regarding various Medicare Part D issues, compared two Medicare Part D implementation options for CalPERS in 2008 based on four criteria, and recommended CalPERS participate in Medicare Part D in 2008 consistent with what CalPERS did in 2006 and 2007.

On **MOTION** by Pryia Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation that: 1) CalPERS participate in Medicare Part D for 2008 by a) applying for the Retiree Drug Subsidy for Medicare-eligible members not enrolled in the Kaiser Medicare Senior Advantage program; and b) providing the Kaiser

MA-PD plan for Kaiser Senior Advantage enrollees; and, 2) CalPERS notify the Legislature and Department of Finance by December 1, 2006, that the Part D participation of association plans for 2008 may differ from participation for 2007.

The following people spoke on this item: Barbara LaPlante, CSEA Retirees Ray Snodgrass, CDF Firefighters

AGENDA ITEM 8 – LONG-TERM CARE PROGRAM 2005 AND EARLIER POLICIES – PROPOSED MITIGATION PLAN

Richard Krolak, Chief, Office of Health Plan Administration, introduced Karl Volkmar, Principal and Consulting Actuary, United Health Actuarial Services, and provided a summary of the agenda item.

Mr. Krolak presented staff's recommendation that the Committee recommend the Board accept the final results of the June 30, 2006 Long Term Care Program Valuation report as prepared by United Health Actuarial Services; adopt the proposed mitigation plan for 2005 and earlier policies; implement a 33.6 percent premium increase effective July 1, 2007; and adopt a one-vear implementation with moderate cross subsidization as identified in Attachment 4(a) of the proposed Mitigation Plan. This proposed rate increase is consistent with the results of the 2006 valuation completed by United Health Actuaries and the parallel 2006 valuation completed by Mercer Health and Benefits, Inc.

On **MOTION** by Charles Valdes, and **SECONDED**, the Committee recommended the Board: 1) adopt the proposed mitigation plan for 2005 and earlier policies; 2) implement a 33.6 percent premium increase effective July 1, 2007; 3) adopt a two-year implementation with moderate cross subsidization as identified in Attachment 5(b) of the proposed Mitigation Plan; and, 4) adopt socialization for older members as identified in Attachment 5(b) of the proposed Mitigation Plan.

Mr. Valdes requested a roll call vote.

An electronic vote was taken:

James Zerio representing Philip Angelides Debbie Endsley representing David Gilb	YES NO
, ,	NO
George Diehr, Chair	_
Rob Feckner	NO
Marjorie Berte	NO
Priya Mathur, Vice Chair	NO
Tony Oliveira	NO
Charles Valdes	YES
Cindy Aronberg representing Steve Westly	YES

The final vote was 3 YES, 5 NO. The motion **FAILED**.

The following people spoke on this item: Ann McWherter, Long-Term Care Advisory Committee John Williams, CSEA Retirees Mike Richard, CSEA Retirees

Michael Bolden, AFSCME Ray Snodgrass, CDF Firefighters Milt Dobkin, California Faculty Association and CSU

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended the Board: 1) accept the June 30, 2006, Long-Term Care Program Valuation report as prepared by United Health Actuarial Services; 2) adopt the proposed mitigation plan for 2005 and earlier policies to implement a 33.6 percent premium increase effective July 1, 2007; and, 3) adopt a one-year implementation with moderate cross subsidization as identified in Attachment 4(a) of the proposed Mitigation Plan.

James Zerio ABSTAINED.

AGENDA ITEM 9 – ACTUARIAL ASSUMPTION MODEL FOR OTHER POST EMPLOYMENT BENEFITS (INCLUDING POST-RETIREMENT MEDICAL)

As an action item, David Lamoureux, Supervising Pension Actuary, Actuarial and Employer Services Branch, recommended that the Committee recommend the Board adopt the CalPERS Other Post Employment Benefits (OPEB) Assumption Model, which will be used in OPEB actuarial valuations by employers that participate in PEMHCA and elect to pre-fund their OPEB obligation through CalPERS' prefunding plan.

On **MOTION** by Pryia Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt the CalPERS Other Post Employment Benefits (OPEB) Assumption Model.

AGENDA ITEM 10 – ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, presented the following four items:

- At the September 2006 Health Benefits Committee meeting, at the request of Rob Feckner, the Chair directed staff to undertake a comprehensive review of the PERS Choice plan design, including any preauthorization processes, that any potential changes may be considered by the Board for implementation for the 2008 benefit year.
- Four bids were received for the Request for Proposal for a Medical Administrator for CalPERS Self-Funded Health Plans. Staff is evaluating those proposals.
- Blue Shield updated the Regional Council Matrix. Copies were made available to the Board and public. The next Regional Council will be held in Napa on November 16, 2006.
- The 2nd Annual Conference of the Public Sector Healthcare Roundtable will be held November 27-29, 2006, in Alexandria, Virginia.

AGENDA ITEM 11 – PROPOSED AGENDA FOR DECEMBER 19, 2006, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the December 19, 2006, Health Benefits Committee was accepted as presented.

AGENDA ITEM 12 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 12:00 p.m.

The next meeting of the Committee is scheduled for December 19, 2006, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.